



Department of Defense **INSTRUCTION**

NUMBER 3204.01

August 20, 2014

Incorporating Change 1, October 15, 2018

USD(R&E)

SUBJECT: DoD Policy for Oversight of Independent Research and Development (IR&D)

References: See Enclosure 1

1. **PURPOSE.** This instruction:

a. Reissues DoD Directive (DoDD) 3204.1 (Reference (a)) as a DoD instruction (DoDI) in accordance with the authority in DoDD 5134.01 (Reference (b)).

b. Establishes policy and assigns responsibilities for DoD oversight of industry IR&D in accordance with:

(1) Sections 2372 and 2506 of Title 10, United States Code (Reference (c)).

(2) Subpart 31.205-18 of the Federal Acquisition Regulation (Reference (d)).

(3) Subparts 231.205-18 and 242.771 of the Defense Federal Acquisition Regulation Supplement (DFARS) (Reference (e)).

c. Appoints the Assistant Secretary of Defense for Research and Engineering (ASD(R&E)) as Chair of the Research and Engineering Executive Committee (R&E EXCOM), to improve DoD oversight of IR&D program processes.

2. **APPLICABILITY.** This instruction applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD.

3. **POLICY**

a. It is DoD policy to:

(1) Seek visibility and insight into IR&D participants' investment priorities, and engage in robust communication with all entities supporting the defense industrial base (DIB), to:

(a) Promote transparent engagement with IR&D participants regarding the research and development (R&D) (including basic research, applied research, and development pursuant to the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) Memorandum (Reference (f))) priorities and gaps in support of all DoD missions.

(b) Provide the Defense Innovation Marketplace Website (Reference (g)), that consolidates publically releasable information concerning projects that may satisfy DoD technological capability gaps, needs, and investment priorities.

(c) Provide a secure government-only portal containing unclassified project-level technical descriptions submitted by IR&D participants, with sufficient detail to allow DoD to better leverage IR&D efforts in DoD acquisition program planning.

(d) Coordinate among existing efforts and programs (e.g., Small Business Innovation Research/Small Business Technology Transfer, Multidisciplinary University Research Initiative, Rapid Innovation Fund Program, DoD Technology Transfer Program, and Unified Research and Engineering Database) to leverage these programs in conjunction with IR&D.

(e) Protect classified information involved in IR&D efforts through compliance with the provisions of DoD 5220.22-R (Reference (h)) and DoDI 5220.22 (Reference (i)). Protection of controlled unclassified information involved in IR&D efforts must comply with the provisions of DoD Manual 5200.01, Volume 4 (Reference (j)).

(2) Institutionalize the Better Buying Power IR&D initiatives across DoD and the industrial base, in accordance with ASD(R&E) Memorandum (Reference (k)).

(3) Encourage DoD contractors to engage in R&D activities of potential interest to the DoD, listed in subsection (g) of section 2372 of Reference (c).

b. It is DoD policy that:

(1) Pursuant to subpart 31.205-18 of Reference (d) and subparts 231.205-18 and 242.771 of Reference (e), IR&D costs incurred in performing activities in accordance with paragraph 3a of this instruction will be allowable as indirect expenses on covered contracts to the extent they are allocable and reasonable, and not otherwise unallowable by law or regulation.

(2) Pursuant to subpart 231.205-18 of Reference (e), major contractors whose covered segments allocated a total of more than \$11 million in IR&D/Bid and Proposal costs to covered contracts during the contractor's preceding fiscal year must report the projects to DoD within 3 months of the end of the contractor's fiscal year, using the online input form and instructions available at Reference (g) on the 'Submit IR&D Data' tab. The projects are to be updated at least annually and again when the project is completed.

(3) The IR&D project summaries and annual updates submitted in accordance with paragraph 3b(2) of this section will be reviewed by the cognizant administrative contracting officer and the cognizant Defense Contract Audit Agency auditor to determine the allowability of the costs, pursuant to subpart 31.205.18 of Reference (d) and 231.205-18 of Reference (e). When specialized expertise is required, contracting officers are expected to consult with other individuals with specialized technical expertise, as necessary, to ensure a full understanding of the project summaries.

(4) Pursuant to subpart 231.205-18 of Reference (e), contractors that do not meet the threshold as major contractors as defined in paragraph 3(b)(2) of this instruction are not required but are encouraged to input their IR&D projects to the Defense Innovation Marketplace website to provide DoD with visibility into the technical content of their activities.

(5) The Defense Technical Information Center is required to employ adequate controls to protect project information from compromise. Project data submitted to the Defense Innovation Marketplace must be marked “proprietary” on database screens and printouts. Access to the data is limited to authorized DoD users (federal employees and Service members with science and technology (S&T), R&D, or acquisition responsibilities) only. Laws and regulations dealing with Government use of proprietary information will govern the handling of such matter.

(6) Industry IR&D supporting DoD intelligence and intelligence-related activities will comply with the procedures in DoD 5240.1-R (Reference (l)).

4. RESPONSIBILITIES. See Enclosure 2.

5. RELEASABILITY. **Cleared for public release**. This instruction is available on the Internet from the DoD Issuances Website at <http://www.esd.whs.mil/DD/>.

6. SUMMARY OF CHANGE 1. This change reassigns the office of primary responsibility for this instruction to the Under Secretary of Defense for Research and in accordance with the July 13, 2018 Deputy Secretary of Defense Memorandum (Reference (m)).

7. EFFECTIVE DATE. This instruction:

a. Is effective August 20, 2014.

b. Will expire effective August 20, 2024 if it hasn't been reissued or cancelled before this date in accordance with DoDI 5025.01 (Reference (n)).



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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 3204.1, “Independent Research and Development (IR&D) and Bid and Proposal (B&P) Program,” May 10, 1999 (hereby cancelled)
- (b) DoD Directive 5134.01, “Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)),” December 9, 2005, as amended
- (c) Title 10, United States Code
- (d) Federal Acquisition Regulation (FAR), current edition¹
- (e) Defense Federal Acquisition Regulation Supplement (DFARS), current edition²
- (f) Under Secretary of Defense for Acquisition, Technology and Logistics Memorandum, “Implementation Directive for Better Buying Power 2.0 – Achieving Greater Efficiency and Productivity in Defense Spending,” April 24, 2013
- (g) Defense Innovation Marketplace Website, <http://www.defenseinnovationmarketplace.mil/>
- (h) DoD 5220.22-R, “Industrial Security Regulation,” December 1985
- (i) DoD Instruction 5220.22, “National Industrial Security Program (NISP),” March 18, 2011
- (j) DoD Manual 5200.01, Volume 4, “DoD Information Security Program: Controlled Unclassified Information (CUI),” February 24, 2012
- (k) Assistant Secretary of Defense for Research and Engineering Memorandum, “Implementation of Better Buying Power 2.0: Expand Programs to Leverage DIB’s Independent Research and Development,” June 5, 2013
- (l) DoD 5240.1-R, “Procedures Governing the Activities of DoD Intelligence Components That Affect United States Persons,” December 1982
- (m) Deputy Secretary of Defense Memorandum, “Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment,” July 13, 2018
- (n) DoD Instruction 5025.01, “DoD Issuances Program,” June 6, 2014
- (o) Defense Acquisition University, “Defense Acquisition Guidebook,” current edition³
- (p) DoD Directive 3020.40, “DoD Policy and Responsibilities for Critical Infrastructure,” January 14, 2010, as amended
- (q) Office of Management and Budget Circular A-11, “Preparation, Submission, and Execution of the Budget,” July 25, 2014

¹ Available at <http://acquisition.gov/far/>

² Available at <http://www.acq.osd.mil/dpap/sitemap.html>

³ Available at <https://dag.dau.mil/Pages/Default.aspx>

ENCLOSURE 2

RESPONSIBILITIES

1. ASD(R&E). Under the authority, direction, and control of the USD(AT&L), the ASD(R&E):
 - a. Develops policy and provides guidance for all DoD activities on the strategic direction for defense research, development, and engineering priorities.
 - b. Encourages open communication and dialogue regarding IR&D needs, priorities, activities, and results among IR&D participants and government S&T, R&D, and acquisition personnel.
 - c. Coordinates with the Director of Defense Procurement and Acquisition Policy on any IR&D policy affecting acquisition, procurement, or business practices.
 - d. Continuously develops and improves the Defense Innovation Marketplace as a resource for IR&D participants and DoD S&T, R&D, and acquisition personnel. The Defense Innovation Marketplace will provide IR&D participants with information about DoD R&D investment priorities, and provide DoD with access to a secure portal containing IR&D projects.
 - e. In coordination with the Deputy Assistant Secretary, Manufacturing and Industrial Base Policy and the Defense Acquisition University, develops and disseminates materials to educate S&T, R&D, acquisition, and developmental planning professionals in ways to leverage IR&D projects.
 - f. Coordinates with the DoD Director of Small Business Programs to educate and inform small businesses regarding IR&D opportunities and the resources of the Defense Innovation Marketplace.
 - g. Chairs the R&E EXCOM. In consultation with the R&E EXCOM, ASD(R&E):
 - (1) Educates industry on current and future DoD technological capability needs to better inform IR&D investments.
 - (2) Facilitates communication between the DoD and IR&D participants regarding DoD technology capability needs.
 - (3) Provides a platform for IR&D participants to share project-level technical descriptions of IR&D in sufficient detail to allow visibility, leveraging, and transitioning of IR&D into DoD programs.
 - (4) Identifies new initiatives promoting and expanding IR&D collaboration.

(5) Institutionalizes the IR&D-related Better Buying Power initiatives of Reference (f) across DoD.

2. DIRECTOR OF DEFENSE PROCUREMENT AND ACQUISITION POLICY. Under the authority, direction, and control of USD(AT&L), the Director of Defense Procurement and Acquisition Policy:

a. Develops policy and provides guidance and oversight for all DoD activities regarding acquisition, procurement, and business practices relative to the IR&D program.

b. Represents OSD with the DIB, IR&D participants, and others on all policy issues about acquisition, procurement, and business practices relative to the IR&D program.

c. Coordinates with the ASD(R&E) on any IR&D activities regarding the R&D priorities and technological aspects of IR&D.

d. Coordinates with DCAA on publication of an annual “IR&D and Bid and Proposal Cost” report on the incurred and allowable costs allocated to government and commercial work, the DoD share of the allowable costs, and the sales achieved by major defense contractors.

3. DEPUTY ASSISTANT SECRETARY OF DEFENSE, MANUFACTURING, AND INDUSTRIAL BASE POLICY. Under the authority, direction, and control of USD(AT&L), the Deputy Assistant Secretary of Defense, Manufacturing, and Industrial Base Policy:

a. Develops policy and provides guidance and oversight for all DoD activities regarding industrial and technological capabilities, competition, supply chain, and innovation in the industrial base relative to the IR&D program.

b. Coordinates with the ASD(R&E) on any IR&D policy affecting industrial base capabilities, cost effectiveness, and innovation within supply chain sectors or responsible investment to advance industrial productivity through a variety of authorities and programs, including the Defense Production Act and Manufacturing Technology.

4. SECRETARIES OF THE MILITARY DEPARTMENTS AND DIRECTOR, DEFENSE ADVANCED RESEARCH PROJECTS AGENCY (DARPA). The Secretaries of the Military Departments and the Director, DARPA (the Director is under the authority, direction, and control of the USD(AT&L)), through the ASD(R&E) will:

a. Provide a representative, as designated in Enclosure 3 of this instruction, who will serve as the representative on the R&E EXCOM and coordinate all activities for the technological aspects of their organization’s interactions regarding IR&D.

b. Designate a senior acquisition executive who will serve as representative to the R&E EXCOM and coordinate all issues about acquisition, procurement, and business practices relative to their organization's interactions regarding IR&D.

c. Designate a senior acquisition executive who will be responsible for the latency, accuracy, and completeness of the content for their respective resource page(s) on the Defense Innovation Marketplace, pursuant to Reference (k).

d. Support technical interaction with the IR&D participants who submit their projects into the Defense Innovation Marketplace database.

ENCLOSURE 3

STRUCTURE OF THE R&E EXCOM

1. The R&E EXCOM membership includes:

- a. ASD(R&E), who serves as the chair.
- b. Assistant Secretary of the Army for Acquisition, Logistics, and Technology.
- c. Assistant Secretary of the Navy for Research, Development, and Acquisition.
- d. Assistant Secretary of the Air Force for Acquisition.
- e. Director, DARPA.
- f. Relevant subject matter experts, as determined necessary by the R&E EXCOM.

2. The R&E EXCOM:

a. Provides guidance for and develops, implements, and oversees activities necessary to achieve the goals and objectives of the DoD IR&D initiatives in paragraph 3a above the signature of this instruction.

b. Provides oversight of the Defense Innovation Marketplace and IR&D database, and establishes guidelines for the requesting, submission, and posting of accurate, relevant, and current information for use by IR&D participants and government personnel consistent with applicable requirements of the FAR (Reference (d)) and the DFARS (Reference (e)).

c. Represents the DoD on issues related to IR&D strategies and investments with other federal agencies, the DIB, and non-governmental organizations.

d. Establishes and maintains an open dialogue regarding DoD R&D technological capability needs and investment priorities among:

- (1) Military Departments
- (2) Defense Agencies
- (3) Defense laboratories
- (4) Combatant Command S&T advisors
- (5) University Affiliated Research Centers

(6) Federally-funded research and development centers

(7) Information analysis centers

(8) Partners in industry

(9) Academia and international partners and allies

e. Ensures DoD promotes innovation, realizes an appropriate return on IR&D reimbursements, and improves the incorporation of IR&D efforts in R&D acquisition program planning.

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

ASD(R&E)	Assistant Secretary of Defense for Research and Engineering
DFARS	Defense Federal Acquisition Regulation Supplement
DIB	Defense Industrial Base
DoDD	DoD Directive
DoDI	DoD Instruction
IR&D	independent research and development
R&D	research and development
R&E EXCOM	Research and Engineering Executive Committee
S&T	science and technology
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

PART II. DEFINITIONS

These terms and their definitions are for the purpose of this instruction.

affordability. Defined in chapter 3, section 3.2.1.2 of the Defense Acquisition Guidebook (Reference (o)).

covered contracts. Defined in subpart 231.205-18 of Reference (e).

covered segments. Defined in subpart 231.205-18 of Reference (e).

DIB sector. Defined in DoDD 3020.40 (Reference (p)).

encouragement of certain contractor activities. Defined in subsection (g) of Section 2372 of Reference (c).

IR&D. Defined in subpart 31.205-18 of Reference (d).

major contractor. Defined in subpart 231.205-18 of Reference (e).

R&D. Defined in Section 84, Schedule C of Office of Management and Budget Circular A-11 (Reference (q)).